OMNIA

UNAUDITED FINANCIAL RESULTS

for the six months ended
30 September 2019

Omnia Holdings Limited Unaudited financial results for the six months ended 30 September 2019

Salient features

Management delivery on the short-term **stabilisation** plan

Oversubscribed rights offer of **R2 billion** successfully concluded

Net debt to twelve-month rolling adjusted EBITDA ratio down to **2.35*** (FY2019: 4.50)

* excluding IFRS 16 impact

Net debt decreased by **R1.4 billion** from R4.65 billion at HY2019 to **R3.3 billion** (FY2019: R4.4 billion)

Revenue up 1% from R8 654 million to **R8 723 million**

Operating profit increased from R124 million to **R294 million**

Net asset value increased by 14% from R8 013 million to **R9 116 million**

Headline earnings per share of **49 cents** (HY2019: 122 cents loss)

A profit after tax of **R35 million** (HY2019: R93 million loss)

Earnings per share of **39 cents** (HY2019: 120 cents loss)

Level 3 B-BBEE rating

The Recordable Case Rate increased from 0.34 to **0.52**

No interim **dividend** declared (HY2019: 75 cents)

Net working capital reduced by **R714 million** from R5 346 million to **R4 632 million**

Sustainable debt package is being finalised:

- Core term facilities of R2 billion
- Five-year revolving credit facility of R1 billion
- Committed, structured working capital facilities of R1.8 billion

Summary consolidated income statement

for the six months ended 30 September 2019

Rm	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	% change	Audited 12 months 31 Mar 2019
Revenue	**8 723**	8 654	1	18 628
Cost of sales	**(6 561)**	(6 669)	2	(14 495)
Gross profit	**2 162**	**1 985**	**9**	**4 133**
Distribution expenses	**(1 034)**	(1 067)	3	(2 140)
Administrative expenses	**(672)**	(632)	(6)	(1 500)
Other operating income	**68**	75	(9)	325
Other operating expenses	**(200)**	(189)	(6)	(384)
Impairment losses on non-financial assets	**(8)**	–	–	(340)
Impairment losses on financial assets	**(15)**	(56)	73	(97)
Share of net profit of equity accounted investments	**(7)**	8	(>100)	27
Operating profit	**294**	**124**	**>100**	**24**
Net monetary gain on hyperinflation*	**50**	–	–	–
Finance income	**23**	24	(4)	43
Finance expense	**(313)**	(242)	(29)	(481)
Profit/(loss) before taxation	**54**	**(94)**	**>100**	**(414)**
Income tax expense	**(19)**	1	>100	7
Profit/(loss) for the period	**35**	**(93)**	**>100**	**(407)**
Attributable to:				
Owners of Omnia Holdings Limited	**32**	(94)	>100	(414)
Non-controlling interest	**3**	1	>100	7
Profit/(loss) for the period	**35**	**(93)**	**138**	**(407)**
Earnings per share from profit/(loss) attributable to owners of Omnia Holdings Limited (cents)		Restated**		Restated**
Basic earnings per share	**39**	(120)	>100	(530)
Diluted earnings per share	**38**	(120)	>100	(530)
Headline earnings per share	**49**	(122)	>100	(97)
Diluted headline earnings per share	**49**	(122)	>100	(97)

* *Refer to page 29 for clarification on the accounting treatment of the net monetary gain on hyperinflation.*

** *Restated at 30 September 2018 and 31 March 2019 for the impact of the rights issue.*

Summary consolidated statement of other comprehensive income

for the six months ended 30 September 2019

Rm	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	% change	Audited 12 months 31 Mar 2019
Profit/(loss) for the period	**35**	**(93)**	**>100**	**(407)**
Other comprehensive income, net of tax that will be recycled to the income statement				
Currency translation difference	**19**	715	(97)	193
Total comprehensive income attributable to:	**54**	**622**	**(91)**	**(214)**
Owners of Omnia Holdings Limited	**7**	621	(99)	(232)
Non-controlling interest	**47**	1	>100	18

Summary consolidated balance sheet

at 30 September 2019

Rm	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	Audited 12 months 31 Mar 2019
ASSETS			
Non-current assets	**8 470**	**8 138**	**8 140**
Property, plant and equipment	**5 236**	5 073	5 425
Right-of-use assets	**538**	–	–
Goodwill and intangible assets	**2 536**	2 814	2 488
Trade and other receivables	**106**	134	106
Investment accounted for using the equity method	**5**	88	49
Deferred income tax assets	**49**	29	72
Current assets	**10 251**	**11 655**	**8 507**
Inventories	**4 741**	6 105	3 883
Trade and other receivables	**4 473**	4 557	3 838
Derivative financial instruments	**28**	57	59
Income tax assets	**139**	211	83
Cash and cash equivalents	**870**	725	644
Total assets	**18 721**	**19 793**	**16 647**

Summary consolidated balance sheet continued

at 30 September 2019

Rm	Unaudited 6 months 30 Sep 2019	Unaudited 6 months 30 Sep 2018	Audited 12 months 31 Mar 2019
EQUITY			
Capital and reserves attributable to the owners of Omnia Holdings Limited	**8 967**	**7 962**	**7 123**
Stated capital	**3 534**	1 597	1 604
Treasury shares	**(123)**	(123)	(123)
Other reserves	**1 324**	1 505	1 048
Retained earnings	**4 232**	4 983	4 594
Non-controlling interest	**149**	51	102
Total equity	**9 116**	**8 013**	**7 225**
LIABILITIES			
Non-current liabilities	**981**	**3 559**	**1 091**
Deferred income tax liabilities	**523**	851	733
Trade payables and other liabilities	**90**	174	313
Interest-bearing borrowings	**34**	2 534	45
Lease liability	**334**	–	–
Current liabilities	**8 624**	**8 221**	**8 331**
Trade payables and other liabilities	**4 626**	5 204	3 280
Interest-bearing borrowings	**3 112**	576	2 745
Lease liability	**205**	–	–
Derivative financial instruments	**–**	129	29
Income tax liability	**204**	43	20
Bank overdrafts	**477**	2 269	2 257
Total liabilities	**9 605**	**11 780**	**9 422**
Total equity and liabilities	**18 721**	**19 793**	**16 647**
Net working capital	**4 632**	5 346	4 264
Net interest-bearing borrowings (excluding leases)	**2 781**	4 654	4 403
Net interest-bearing borrowings (including leases)	**3 292**	4 654	4 403
Net asset value per share (Rand)	**54**	118	105
Capital expenditure (Rm)			
Depreciation	**341**	200	418
Amortisation	**109**	88	197
Capital expenditure incurred	**260**	570	1 120
Authorised and contracted for	**140**	360	147
Authorised but not contracted for	**168**	341	180

Summary consolidated cash flow statement

for the six months ended 30 September 2019

Rm	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	Audited 12 months 31 Mar 2019
Net cash (outflow)/inflow from operating activities	**(141)**	**(968)**	**311**
Cash generated from/(utilised by) operations	**186**	(605)	998
Finance income	**23**	24	43
Finance expense	**(313)**	(242)	(561)
Income taxes paid	**(37)**	(145)	(169)
Cash outflow from investing activities	**(260)**	**(1 135)**	**(2 059)**
Purchase of property, plant and equipment	**(221)**	(460)	(977)
Proceeds on disposal of property, plant and equipment	**–**	–	2
Additions to goodwill, intangible and other assets	**(39)**	(110)	(143)
Acquisition of business	**–**	(565)	(941)
Cash inflow from financing activities	**2 386**	**1 861**	**1 463**
Net interest-bearing borrowings raised	**386**	1 965	1 616
Proceeds from share issue	**2 000**	–	–
Dividends paid	**–**	(104)	(153)
Net increase/(decrease) in cash and cash equivalents	**1 985**	**(242)**	**(285)**
Net cash overdraft at beginning of period*	**(1 613)**	(1 459)	(1 459)
Exchange rate movements	**21**	157	131
Net cash balance/(overdraft) at end of period	**393**	**(1 544)**	**(1 613)**

** On 24 June 2019, all the South African interest-bearing debt was converted into a bridge loan and general banking facilities. The outstanding utilisation of the bridge loan is shown under interest-bearing borrowings and the utilisation of the general banking facilities is shown under bank overdraft.*

Summary consolidated statement of changes in equity

for the six months ended 30 September 2019

	Attributable to the owners of Omnia Holdings Limited					
Rm	Stated capital	Treasury shares	Other reserves	Retained earnings	Non-controlling interest	**Total**
At 31 March 2018 (audited)	**1 597**	**(123)**	**812**	**5 202**	**(5)**	**7 483**
Implementation of new standards						
Change in accounting policy *IFRS 9 – Financial Instruments* (net of tax)	–	–	–	(21)	–	**(21)**
At 1 April 2018	1 597	(123)	812	5 181	(5)	**7 462**
Total recognised income and expense for the period						
Loss for the period	–	–	–	(94)	1	**(93)**
Currency translation difference	–	–	715	–	–	**715**
Transactions with shareholders						
Acquisition of business	–	–	–	–	55	**55**
Ordinary dividends paid	–	–	–	(104)	–	**(104)**
Share-based payment – value of services provided	–	–	(22)	–	–	**(22)**
At 30 September 2018 (unaudited)	**1 597**	**(123)**	**1 505**	**4 983**	**51**	**8 013**
Implementation of new standards						
Change in accounting policy *IFRS 9 – Financial Instruments* (net of tax)	–	–	–	(20)	–	**(20)**
Total recognised income and expense for the period						
Loss for the period	–	–	–	(320)	6	**(314)**
Currency translation difference	–	–	(533)	–	11	**(522)**
Transactions with shareholders						
Ordinary shares issued	7	–	(7)	–	–	**–**
Acquisition of business	–	–	–	–	34	**34**
Ordinary dividends paid	–	–	–	(49)	–	**(49)**
Share-based payment – value of services provided	–	–	83	–	–	**83**

Summary consolidated statement of changes in equity continued

for the six months ended 30 September 2019

Rm	Attributable to the owners of Omnia Holdings Limited					
	Stated capital	Treasury shares	Other reserves	Retained earnings	Non-controlling interest	**Total**
At 31 March 2019 (audited)	**1 604**	**(123)**	**1 048**	**4 594**	**102**	**7 225**
First time application of *IFRIC 23 – Uncertainty over Income Tax Treatments*	–	–	–	(144)	–	(144)
First time application of *IAS 29 – Financial Reporting in Hyperinflationary Economies*	–	–	300	(250)	–	50
At 1 April 2019	**1 604**	**(123)**	**1 348**	**4 200**	**102**	**7 131**
Total recognised income and expense for the period						
Profit for the period	–	–	–	32	3	35
Currency translation difference	–	–	(25)	–	44	19
Transactions with shareholders						
Ordinary shares issued	1 930	–	–	–	–	1 930
Share-based payment – value of services provided	–	–	1	–	–	1
At 30 September 2019 (unaudited)	**3 534**	**(123)**	**1 324**	**4 232**	**149**	**9 116**

Reconciliation of headline earnings

for the six months ended 30 September 2019

Rm	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	Audited 12 months 31 Mar 2019
Profit/(loss) after tax	**35**	**(93)**	**(407)**
Non-controlling interest	**(3)**	**(1)**	**(7)**
Profit/(loss) for the period attributable to owners of Omnia Holdings Limited:	**32**	**(94)**	**(414)**
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	**1**	(1)	(2)
Impairment of property, plant and equipment	**8**	–	16
Impairment of goodwill	**–**	–	324
Headline earnings	**41**	**(95)**	**(76)**

Additional information

for the six months ended 30 September 2019

000's	**Unaudited 6 months 30 Sep 2019**	Unaudited 6 months 30 Sep 2018	Audited 12 months 31 Mar 2019
Weighted average number of shares in issue	**83 016**	78 046	78 073
Weighted average number of diluted shares in issue	**83 754**	78 046	78 073
Number of shares in issue (excluding treasury shares)	**168 005**	67 948	68 005

** Restated at 30 September 2018 and 31 March 2019 for the impact of the right issue.*

Segmental information

The Group's chief operating decision-maker has been identified as the executive committee, consisting of the chief executive officer, the Group financial director, managing directors of the Group's operating segments and executives of other Group functions. The executive committee is responsible for allocating resources, assessing the performance of operating segments and making strategic decisions. The executive committee reviews the Group's performance from both a product and a geographical perspective per operating segment.

Operating segments have not been aggregated and are all individually reported as reportable segments. Operating segments have been grouped in terms of the three industries in which the Group trades, being Agriculture, Mining and Chemicals. The executive committee primarily reviews revenue, operating profit, profit before tax, EBITDA, net working capital, net controlled assets and net debt.

In the second half of the previous financial year, tough economic conditions coupled with higher debt and working capital levels required the executive committee to analyse information differently for clarity and better decision-making. Changes included balance sheet information on net controlled assets. The interim segment information as presented in the previous financial year was restated so that the executive committee could view the relative performance and position of operating segments. This restatement to the comparative information has also been presented below. See 1 in the segmental analyses.

The executive committee reviews the Group's performance from both a product and a geographical perspective and has identified the following eight operating segments within the Group:

Agriculture RSA: As part of its innovative Nutriology® concept, this segment produces and trades in granular, liquid and speciality fertilizer as well as value-added services and solutions. The South African customer base includes commercial and small-scale farmers, co-operatives and other corporate clients. The business also supplies manufactured goods to Agriculture International, Mining and Chemicals.

Agriculture International: This segment produces and trades in granular, liquid and speciality fertilizers, humates as well as value-added services and solutions to a broad customer base internationally.

Agriculture Trading: This segment relates to the wholesale and trading of agriculture commodities throughout Africa.

Agriculture Biological: This segment is involved in the research and development, production, distribution and sales of a unique range of Agriculture Biological ("AgriBio") products, many of which are patented. The key product ranges include bio-stimulants, adjuvants, biological crop protection products, liquid foliar fertilizers and soil conditioners for all major crop types.

Mining RSA: This segment comprises the Bulk Mining Explosives ("BME") business in South Africa. The business focuses on blasting agents – bulk emulsion and blended bulk explosives – complemented by the AXXIS™ electronic detonator system and modern software that are crucial to cost-efficient and safe rock breaking. BME leverages its blasting products, equipment, accessories, services and solutions to add value to customers' blasting operations. A part of Mining RSA's revenue relates to the recovery of costs for services and technology. This segment also provides raw material and other supplies to Mining International.

Mining International: This segment relates to the BME and Protea Mining Chemicals businesses outside of South Africa. This business supplies similar products and services to Mining RSA.

Protea Chemicals: Protea Chemicals is a long-established and well-known manufacturer and distributor of specialty, functional and effect chemicals, polymers and other services and solutions. This segment relates to both the larger local part of the business and smaller international part of the business. Among the services and solutions provided are technical support (water, nutrition and personal care) and an offshore delivery to floating production storage and offloading ("FPSO") vessels.

Umongo Petroleum: This segment supplies lubricant additives, base oils, process oils and chemicals.

Omnia Holdings Limited Unaudited financial results for the six months ended 30 September 2019

Segmental analysis of the income statement

for the six months ended 30 September 2019

Rm	**Gross revenue 30 Sep 2019**	Gross revenue[1] 30 Sep 2018	Gross revenue 31 Mar 2019	**Net revenue[2] 30 Sep 2019**	Net revenue[1,2] 30 Sep 2018	Net revenue[2] 31 Mar 2019
Total Agriculture	**4 750**	4 929	10 787	**3 503**	3 621	8 240
Agriculture RSA	**3 028**	3 082	6 907	**1 848**	1 788	4 487
Agriculture International*	**1 031**	1 123	2 086	**1 031**	1 123	2 081
Agriculture Trading	**257**	445	1 068	**225**	431	961
Agriculture Biological	**434**	279	726	**399**	279	711
Total Mining	**3 470**	3 288	6 523	**2 637**	2 478	4 885
Mining RSA	**1 828**	1 765	3 448	**1 152**	1 048	2 104
Mining International	**1 642**	1 523	3 075	**1 485**	1 430	2 781
Total Chemicals	**2 703**	2 606	5 473	**2 583**	2 555	5 302
Protea Chemicals	**2 052**	2 031	4 220	**1 963**	1 996	4 109
Umongo Petroleum	**651**	575	1 253	**620**	559	1 193
Head office and elimination[3]	**(2 200)**	(2 169)	(4 357)	**–**	–	–
Reconciling items[4]	**–**	–	202	**–**	–	202
Total	**8 723**	8 654	18 628	**8 723**	8 654	18 629

[1] *Certain comparatives have been restated to be consistent with the current period.*
[2] *Net revenue excludes intercompany transactions eliminated on consolidation.*
[3] *Head office and elimination includes elimination of intercompany sales at head office.*
[4] *Reconciling items arise from the difference between the way in which executive management analyses the financial information and IFRS requirements.*
* *Included in Agriculture International is net revenue of R203 million (HY2019: R41 million) arising from the application of IAS 29 – Financial Reporting in Hyperinflationary Economies in respect of the Group's Zimbabwean business.*

Omnia Holdings Limited Unaudited financial results for the six months ended 30 September 2019

Segmental analysis of the income statement continued

for the six months ended 30 September 2019

Rm	**Operating profit 30 Sep 2019**	Operating profit[1] 30 Sep 2018	Operating profit 31 Mar 2019	**Profit before taxation 30 Sep 2019**	Loss before taxation[1] 30 Sep 2018	Loss before taxation 31 Mar 2019	**EBITDA 30 Sep 2019**	EBITDA 30 Sep 2018	EBITDA 31 Mar 2019
Total Agriculture	**98**	13	395	**(43)**	(105)	171	**295**	125	622
Agriculture RSA	**(46)**	(77)	93	**(143)**	(165)	(72)	**115**	26	301
Agriculture International*	**70**	62	172	**40**	39	127	**99**	68	182
Agriculture Trading	**(2)**	1	25	**(4)**	(2)	19	**(2)**	1	25
Agriculture Biological	**76**	27	105	**64**	23	98	**83**	30	114
Total Mining	**234**	104	169	**190**	64	99	**321**	174	322
Mining RSA	**82**	49	21	**59**	24	(16)	**136**	93	127
Mining International	**152**	55	148	**131**	40	114	**185**	81	195
Total Chemicals	**91**	19	13	**58**	(25)	(31)	**150**	44	80
Protea Chemicals	**53**	–	(47)	**27**	(32)	(81)	**104**	24	19
Umongo Petroleum	**38**	19	60	**31**	7	50	**46**	20	61
Head office and elimination[2]	**(129)**	(12)	(553)	**(151)**	(28)	(653)	**(14)**	69	(45)
Total	**294**	124	24	**54**	(94)	(414)	**752**	412	979

[1] Certain comparatives have been restated to be consistent with the current period.
[2] Head office and elimination includes acquisition-related costs, amortisation of intangible assets from the acquisition, employee share-based payment expenses, interest allocated to the carrying value of the intangible assets of Umongo Petroleum and Oro Agri and certain once-off costs.
** Included in Agriculture International is operating profit of R5 million (HY2019: R4 million), profit before taxation of R54 million (of which R50 million relates to a net monetary gain) (HY2019: R5 million) and EBITDA of R12 million (HY2019: R7 million) arising from the application of IAS 29 – Financial Reporting in Hyperinflationary Economies in respect of the Group's Zimbabwean business.*

Omnia Holdings Limited Unaudited financial results for the six months ended 30 September 2019

Segmental analysis of the balance sheet

for the six months ended 30 September 2019

	Net working capital Rm 30 Sep 2019	Net working capital[1] Rm 30 Sep 2018	Net working capital Rm 31 Mar 2019	**Net controlled assets Rm 30 Sep 2019**	Net controlled assets[1] Rm 30 Sep 2018	Net controlled assets Rm 31 Mar 2019	**Return on net controlled assets % 30 Sep 2019**	Return on net controlled assets % 30 Sep 2018	Return on net controlled assets % 31 Mar 2019
Total Agriculture	**2 421**	3 148	2 342	**6 779**	6 982	6 455	**3.9**	1.8	9.3
Agriculture RSA	**913**	1 057	744	**4 709**	4 486	4 287	**2.5**	0.6	7.0
Agriculture International*	**1 289**	1 497	1 055	**1 528**	1 670	1 320	**6.5**	4.1	13.8
Agriculture Trading	**(97)**	387	239	**(96)**	387	239	**2.3**	0.2	10.5
Agriculture Biological	**316**	207	304	**638**	439	609	**13.1**	6.8	18.7
Total Mining	**1 319**	1 498	1 196	**2 379**	2 497	2 231	**13.6**	6.1	13.8
Mining RSA	**466**	583	363	**1 232**	1 356	1 148	**11.1**	6.9	11.1
Mining International	**853**	915	833	**1 147**	1 141	1 083	**16.1**	7.1	18.0
Total Chemicals	**1 165**	1 341	1 154	**1 662**	2 113	1 570	**11.5**	4.5	11.7
Protea Chemicals	**812**	1 030	876	**1 270**	1 787	1 275	**8.2**	1.3	1.5
Umongo Petroleum	**353**	311	278	**392**	326	295	**11.7**	6.1	20.6
Head office and elimination[2]	**(273)**	(641)	(428)	**2 534**	2 060	2 355	**(0.8)**	0.8	(6.0)
Group acquisition adjustments[3]	**–**	–	–	**(407)**	(331)	(274)	**–**	–	–
Total	**4 632**	5 346	4 264	**12 947**	13 321	12 337	**5.8**	2.9	7.9

[1] *Certain comparatives have been restated to be consistent with the current period.*

[2] *Head office and elimination includes balances relating to other subsidiaries and consolidation adjustments.*

[3] *Group acquisition related adjustments in the Agri Biological and Umongo Petroleum segments.*

* *Included in Agriculture International is net working capital of R38 million (HY2019: R389 million) and net controlled assets of R37 million (HY2019: R524 million) arising from the application of IAS 29 – Financial Reporting in Hyperinflationary Economies in respect of the Group's Zimbabwean business.*

Executive summary

Against tough market conditions, Omnia remained focused on stabilising the business, initiating a turnaround strategy and improving its capital structure following a successful rights issue. Good progress was also made in terms of reducing costs as well as lowering capex and working capital requirements.

The Group generated a net profit after tax of R35 million for the six months ended 30 September 2019 ("six-month period") compared to a net loss after tax of R93 million for the comparative period. Operating profit achieved for the six-month period amounted to R294 million (HY2019: R124 million).

The key factors driving operating profit in the three main divisions were as follows:

Agriculture: Agriculture RSA experienced difficult trading conditions due to subdued commodity prices. Agriculture International and Agriculture Biological (AgriBio) performed better than the comparative period due to earlier deliveries and a strong demand for AgriBio products. Operating profit increased period-on-period to R98 million from R13 million. Agriculture is a seasonal business and sales are weighted towards the second half of the financial year.

Mining: The Mining division performed well, supported by higher bulk volumes in RSA, cost reductions and improved profitability at Protea Mining Chemicals as well as new international business secured. Operating profit increased to R234 million from R104 million in the comparative period.

Chemicals: Protea Chemicals and Umongo Petroleum combined showed good margin growth on flat net revenue, while Protea Chemicals' costs were lower following the prior year restructure. Operating profit increased to R91 million from R19 million in the comparative period.

Net finance expenses for the period increased by 33% to R290 million (HY2019: R218 million) due to increased financial indebtedness and interest margins. In addition, interest of R29 million attributable to the nitrophosphate plant which was previously capitalised to the asset while under construction, is now recognised in the earnings.

Net working capital reduced to R4 632 million (HY2019: R5 346 million). This relates to a change in the inventory purchasing profile in Fertilizer RSA, lower average inventory holding and improved debtor collections.

Economic environment

The South African economic data released for quarter three of 2019 was disappointing. The consumer turned notably more pessimistic during the quarter, while the latest activity data from the country's secondary sector (manufacturing, construction and electricity) also paints a weak picture for gross domestic product. Credit rating agencies are applying increasingly negative views on country and corporate ratings.

Manufacturing and mining output continued to shrink and are impacted by electricity supply disruptions. Despite increased costs and weak production, mining companies have begun to enjoy some welcomed relief as gains in commodity prices, aided by a weaker Rand, supported a return to profitability for the industry.

On the global front, the focus was on the latest trade data from the US, China and Germany. The data came against a backdrop of increased optimism about the possibility of a preliminary trade deal being reached between the world's two largest economies.

Relevant to Omnia's southern Africa business, Zambia's inflation rate for the year to September 2019 was 10.5%, mostly driven by 12.4% food inflation as a result of two consecutive unfavourable summer planting seasons. The country experienced food shortages in some areas due to the poor rains in the southern and central regions last season. The drought also impacted the water levels of Lake Kariba, which in turn reduced hydroelectric electricity generation, prompting widespread load shedding.

Hyperinflation has returned to Zimbabwe and consumers are dealing with extensive price increases in the electricity tariffs and the price of fuel.

Nature of the business

The Group's interim results are impacted mostly by the seasonal nature of the revenue cycle in the Agriculture division and the volatility of the South African rand against the US dollar. In southern Africa, a large portion of fertilizer is purchased and utilised during the summer planting season which occurs from around October/November through to January/February, depending on weather patterns and geographic location. While other geographic areas have different planting seasons and revenue profiles, approximately half of the Agriculture division's geographical concentration is based on revenue earned in South Africa.

Omnia manages its foreign currency exposure through a cost-effective hedging programme. As the Group has not adopted hedge accounting, there is a timing mismatch between recording of fair value gains and losses on hedges with the corresponding decreases or increases in margins occurring in a different period. This created an element of volatility in the results for the six-month period.

Agriculture's inventory constitutes a large portion of the Group's overall inventory position. Based on the anticipated demand, the production and stock holding of fertilizer products ramps up from approximately May until it peaks in December when the planting season is nearing the end. The delivery of fertilizer to farmers commences with the start of the summer planting season in October/November and peaks through December/January. By the end of the delivery cycle, stock levels have been reduced and the level of bank debt and trade receivables are both at a peak. The full cash conversion cycle is typically completed by March/April with the collection of debtors taking place in the latter part of the season. As a result, inventory at the interim reporting date is substantially higher compared to financial year-end, by which time the inventory levels will have been reduced through the full year cash conversion cycle.

Financial review

Income statement

Revenue for the period increased by 1% to R8 723 million (HY2019: R8 654 million) largely driven by an increase in sales volumes in the Agriculture Biological segment. This was partially offset by substantially lower volumes in Agriculture Trading. Mining RSA grew by 10% despite lower ammonia prices during the half year.

Gross profit for the period increased by 9% to R2 162 million (HY2019: R1 985 million). Gross margin increased from 23% to 25%. Excluding the effects of hyperinflation, gross profit increased by 10%. Margins increased due to the deterioration of the Zimbabwean dollar in Agriculture International's Zimbabwe operations. Protea Chemicals and Protea Mining Chemicals increased gross profit margins due to more optimal product mixes.

Distribution expenses for the period decreased by 3% to R1 034 million (HY2019: R1 067 million) driven by various cost reductions in Protea Chemicals and Mining RSA through logistic efficiency, improved planning and fleet reductions.

Administrative expenses for the period increased by 6% to R672 million (HY2019: R632 million). Excluding the effects of *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*, administrative expenses increased by 1%, well below local inflation. Management has embarked on an organisation wide initiative to reduce, inter alia, staff costs, consulting fees and travel costs. Agriculture Biological increased administrative expenses in line with high profit growth rates and Mining RSA incurred R15 million of restructuring costs.

Other operating income for the period decreased by 9% to R68 million (HY2019: R75 million). The six-month period includes foreign exchange gains of R26 million that relates to revaluation on foreign debtor balances, while the comparative period included a release of the earn out relating to Umongo Petroleum of R52 million.

Other operating expenses for the period increased by 6% to R200 million (HY2019: R189 million). Excluding the effects of *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*, other operating expenses increased by 39%. The comparative period included foreign exchange losses of R106 million. The six-month period includes a foreign exchange loss of R90 million, R80 million of which relates to Agriculture International's Zimbabwean operations, which offsets the higher gross profit earned due to the deterioration of the Zimbabwean dollar and an increase in amortisation of intangibles of R13 million.

Impairment losses on financial assets for the period decreased by 73% to R15 million (HY2019: R56 million). The comparative period included an impairment from a debtor in Angola that did not recur in the six-month period.

Operating profit for the period increased to R294 million (HY2019: R124 million). Excluding the effects of *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*, operating profit increased to R291 million. Overhead expenses have been firmly managed with significant savings in consulting and contractor fees, staff costs and other general overheads. The comparative period included once-off transaction costs of R28 million relating to the Oro Agri acquisition and expected credit losses of R17 million relating to a debtor in Angola.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the period is R752 million (HY2019: R412 million). The increase is as a result of overall improved performance and the first-time adoption of *IFRS 16 – Leases*. Excluding the impact of *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*, EBITDA for the six-month period is R612 million.

Income tax expense for the period increased to R19 million (HY2019: R1 million benefit) mainly due to the impact of hyperinflation, partly offset by section 12I Tax Allowance Incentives received during the six-month period. The effective tax rate is 35%.

Other comprehensive income, net of tax for the period decreased to R19 million (HY2019: R715 million) due to the weakening of the ZAR:USD exchange rate and the impact of hyperinflation in Zimbabwe which amounted to R189 million.

Headline earnings per share for the period is 49 cents per share (HY2019: 122 cents loss per share).

Balance sheet

Total assets decreased by 5% to R18 721 million (HY2019: R19 793 million). A change in the average inventory holding, coupled with management action to reduce working capital, resulted in a R714 million reduction in net working capital period-on-period. These reductions were partially offset by an increase in right-of-use assets of R538 million due to the first-time adoption of *IFRS 16 – Leases*.

Total liabilities decreased by 18% to R9 605 million (HY2019: R11 780 million). Net interest-bearing borrowings for the period decreased by 40% excluding the impact of *IFRS 16 – Leases* or 29% to R3 292 million (HY2019: R4 654 million) including the impact of *IFRS 16 – Leases*. This was due to a repayment of approximately R2 billion on 30 September 2019 following the successful conclusion of the rights offer. On 24 June 2019, all the South African interest-bearing debt was converted into a bridge loan and general banking facilities, shared equally between four financial institutions. The outstanding utilisation of the bridge loan is shown under interest-bearing borrowings and the utilisation of the general banking facilities is shown under bank overdrafts. Lease liabilities increased to R539 million due to first-time adoption of *IFRS 16 – Leases*.

Total equity increased by 14% to R9 116 million (HY2019: R8 013 million). Share capital increased as a result of the rights issue. The effect of electing the modified retrospective approach when adopting new standards resulted in a decrease in opening retained earnings of R144 million (*IFRIC 23 – Uncertainty over Income Tax Treatments*). The application of *IAS 29 – Financial Reporting in Hyperinflationary Economies* resulted in an increase of opening equity for the effect of hyperinflation on prior year balances of R50 million (increase in foreign currency translation reserve of R300 million and decrease in retained earnings of R250 million).

Cash flow statement

Cash generated from operations for the period increased to R186 million (HY2019: R605 million utilised by operations). The success in reducing net working capital through reduction in lower inventory holding and improved debtor collections, resulted in a lower net cash outflow of R210 million (HY2019: R926 million outflow).

Financial review continued

Cash outflow from investing activities for the period decreased to R260 million (HY2019: R1 135 million). The comparative period included cash outflows from the construction of the nitrophosphate plant and the acquisition of Oro Agri.

Cash inflow from financing activities for the period of R2 396 million (HY2019: R1 861 million) includes an inflow of R2 billion from the rights issue and a pay down of the term debt with the proceeds from the bridge loan which was put in place after year-end.

Divisional review

Agriculture

Omnia's Agriculture division comprising Fertilizer RSA, Fertilizer International (including Oro Agri) and Agriculture Trading, is the market leader in its field in South Africa and southern Africa.

Agriculture RSA sales volumes remained satisfactory despite delayed rains locally. Net revenue for the six-month period increased by 3% to R1 848 million (HY2019: R1 788 million). Operating loss for the six-month period decreased by 40% to R46 million (HY2019: R77 million loss). Cost cutting initiatives continue to be implemented to ensure a return to profitability while increasing production throughput.

In **Agriculture International**, the African businesses experienced mixed trading conditions. Net revenue for the six-month period decreased by 8% to R1 031 million (HY2019: R1 123 million). In Mozambique, the lower blender throughput following the cyclone in Beira, was largely offset by a reduction in expenses. In Zimbabwe, despite the economic challenges, the performance was in line with expectations underpinned by the breakeven strategy and a focus on expatriation of funds. Financial reporting requirements for Zimbabwe were adjusted to account for hyperinflation. In Zambia, sales exceeded expectations, driven by early contract deliveries. Australia and Brazil performed well due largely to increased humate sales. Operating profit for the six-month period was R70 million (HY2019: R62 million profit) mainly as a result of increased profits in Zambia, Australia and Brazil. The overall financial impact of hyperinflation amounted to a decrease in operating profit of R4 million.

The **Agriculture Trading** model realignment has been concluded. Operating profit is R3 million lower than last year, but in line with the revised strategy of reducing working capital.

The **Agriculture Biological** division is exceeding expectations. Net revenue for the six-month period increased by 43% to R399 million (HY2019: R279 million). The results are driven by higher sales volumes in Brazil, the USA and South Africa. Brazil exceeded targets, with sales of newly launched products and the anticipated approval of new product registrations boding well for the rest of the year. Exports to Asia from the USA, and increased sales from new products, are making up for lower sales into more traditional markets. Operating profit for the six-month period increased to R76 million (HY2019: R27 million) as a result of the growth in revenue in line with an increased demand for Agriculture Biological products.

Overall Agriculture's operating margin increased to 2.8% (HY2019: 0.4%).

Mining

The Mining division services the mining industry through BME and Protea Mining Chemicals.

Net revenue for the six-month period in **Mining RSA** increased by 10% to R1 152 million (HY2019: R1 048 million) mainly as a result of an increase in bulk emulsion sales. The lower ammonia price negatively impacted revenue and margins for the current interim period. Raw material sales to Zambia (partially offset by increased sales from South Africa), Mali and the DRC also decreased. Sales of non-electric detonators to the South African underground mining market declined. AXXIS™ revenue increased due to higher selling prices, despite volumes being lower. In South Africa, a number of new contracts have been awarded across various collieries. Operating profit for the six-month period increased by 67% to R82 million (HY2019: R49 million) as a result of higher sales, a reduction in fixed costs and the implementation of various cost cutting initiatives.

Mining International had a slow start to the financial year as a result of sales reducing significantly in the DRC as permits are being renewed. Sales in Botswana and Namibia were also lower in the current period. The benefit from the nitrophosphate plant has not materialised yet and the lower ammonia price resulted in a lower selling price and gross margin. In spite of these factors, net revenue for the period increased by 4% to R1 485 million (HY2019: R1 430 million) and operating profit increased to R152 million (HY2019: R55 million) due to a new business being secured, a decrease in fixed costs in West Africa and foreign exchange losses in the previous corresponding period. Although a new supply contract into Indonesia was secured, a major AXXIS™ supply contract lost in Australia will impact sales in the second half of the financial year.

Included in the Mining International results, Protea Mining Chemicals showed improved profitability mainly from new sales into the copper and explosives manufacturing sectors. Reduced sales of magnesium oxide were due to subdued global demand for cobalt and the suspension of supply to a large customer as a result of credit default. Supply is anticipated to improve in the second half of the financial year in line with improved market dynamics associated with growth in the electric vehicle market. In addition, considerable success was achieved with a coagulant developed to optimise solvent extractant plant performance, which contributed strongly to the positive result.

Overall Mining's operating margin increased to 8.9% (HY2019: 4.2%).

Chemicals

The Chemicals division comprises Protea Chemicals and Umongo Petroleum.

In **Protea Chemicals**, net revenue for the six-month period declined by 2% to R1 963 million (HY2019: R1 996 million) as a result of the decommissioning of the EcoGypsum plant at the beginning of the current financial year. The state of the South African economy and manufacturing environment weighed down on consumer care, general solvent and acids as well as alkaline and polymer industry sectors. Internationally, Protea Chemicals experienced stronger performance due to sales into Angola and increased activity in FPSO services.

Divisional review continued

Operating profit for the six-month period increased to R53 million (HY2019: Rnil) following the restructuring process in the prior year. Included in the operating profit is a loss of R7 million relating to Omnia's equity accounted investment in Zimbabwe.

Umongo Petroleum's increased volume growth supported increased net revenue for the period of 11% to R620 million (HY2019: R559 million). Base oils increased revenue largely due to exports and sale to independent lube market customers. Operating profit showed good growth to R38 million (HY2019: R19 million) largely due to an increase in gross profit from independent lube producers and an increase in specialty sales.

Overall Chemicals' operating margin increased to 3.5% (HY2019: 0.7%).

Prospects

Omnia made good progress on its short-term turnaround plan and the business has been stabilised. The finalisation of a new debt package, which is critical to the sustainability of the business, is a key focus while continued emphasis is given on driving operational efficiencies, reducing working capital and managing capex across the Group. On a longer-term basis, a comprehensive strategic review of the Group's footprint, markets and assets is underway to ensure that Omnia is ideally positioned for its next phase of growth.

Agriculture

The South African fertilizer business has faced many macro and micro-headwinds over the last few years and this trend is unfortunately expected to continue in the near term. Several years of strong supply and slower growth in demand, have exerted downward pressure on the international prices of most agriculture commodities, and real prices are projected to remain at suppressed levels for some time as productivity improvements continue to outpace international demand growth.[1] South African commodity prices, and in particular grain and oil seeds, are impacted by international price trends and the lower prices are negatively impacting farm profitability.

ENSO-neutral conditions currently prevail in the equatorial Pacific Ocean and are expected to persist throughout the South African summer rainfall season. The absence of either a strong El Niño or La Niña makes predicting seasonal rainfall more difficult, but the central maize producing area has seen a dry start to the season resulting in delayed plantings and subsequent delayed fertilizer deliveries. It would also appear that rainfall onset over the South African maize belt is starting progressively later in the year, delaying farmers' decision of crop and cultivate choice and making fertilizer demand planning more difficult.

The combination of lower crop prices, continued drought conditions, weather uncertainty and financial pressures are placing strain on South African farmers and this has a negative impact on the entire agriculture value chain, casting a pessimistic shadow over the industry. In these uncertain times Omnia continues its support for farmers to optimise yields and mitigate risk through services such as OmniZone™, OmniRiskIQ™, and the recently launched Soil Health Prism™ as well as extensive agronomic and digital support services. Efforts to further improve cost management and to realise raw material savings and production efficiency gains to align the business to the prevailing market conditions will continue.

In the international and biological business segments, the focus will remain on expansion of the geographical footprint into key agriculture markets and leverage their current distribution infrastructure by adding new product offerings to existing markets. New products may include existing products from other parts of the business, newly in-house developed products, newly acquired products and technology, or selected third-party products via exclusive distribution agreements.

The main strategies to increase the current product portfolio globally are to:

- Grow the footprint of current products
- Extend the label permissions of current products
- Launch new patented biological control and adjuvants to the global market
- Launch new microbial bio stimulant and biocontrol products to the global market leveraging current channels
- Aggressively grow K-humate™ sales globally leveraging current distribution channels

[1] *OECD-FAO Agricultural Outlook 2019-2028*

Mining

The restructuring process, which resulted in a once-off retrenchment cost of R15 million, was completed at the end of October 2019, resulting in an anticipated annualised saving of R80 million.

Procuring new business is the main focus in South Africa during the second half of the financial year. Various bids have been submitted and final adjudication should be completed by the end of the calendar year. To support the delivery of product to new contracts, management is planning to increase capacity at the Losberg and Dryden plants. This capacity increase will include boilers, compressors and silos for emulsion storage.

In Protea Mining Chemicals, various growth opportunities within the coagulant business are expected to support performance in the second half of the financial year and into FY2021.

Good growth opportunities are also being pursued in the mining explosives market with management tasked to grow trade sales of ammonium nitrate solution. A market strategy is being developed to support this initiative and maximise the benefits for the Group.

Chemicals

The chemicals industry is a key sector of the South African economy which is facing difficult trading conditions in a competitive landscape. Internationally, chemical companies are also dealing with an increasingly challenging regulatory environment, with no signs of global standardisation on the horizon.

A number of key challenges impact on the development of the Chemicals sector, including:

- Higher levels of imports than exports of chemical products in South Africa
- Weakening global economic landscape impacting demand
- Rising electricity tariffs and port charges

Against this backdrop, the management team will focus on reducing net working capital and operating costs in line with the turnaround plan.

Capital restructure

The Group monitors capital on the basis of net interest-bearing borrowings over adjusted EBITDA. The Group aims to keep this ratio at 2 to 3 times in the medium term and below 2 times in the long term.

Including *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*

Rm	**Unaudited 30 Sep 2019**	Audited 12 months 31 Mar 2019
Net interest-bearing borrowings	**3 292**	4 403
12-month rolling, adjusted EBITDA	**1 312**	979
Ratio	**2.5**	4.5

Excluding *IFRS 16 – Leases* and *IAS 29 – Financial Reporting in Hyperinflationary Economies*

Rm	**Unaudited 30 Sep 2019**	Audited 12 months 31 Mar 2019
Net interest-bearing borrowings	**2 781**	4 403
12-month rolling, adjusted EBITDA	**1 180**	979
Ratio	**2.35**	4.5

Debt restructure

In June 2019, the Group secured a R5 billion bridge facility and liquidity facilities of R1.6 billion from its principal lenders. Proceeds from the drawdown were used to settle all existing local borrowings at that date. As part of the debt restructure, a rights offer of R2 billion was successfully concluded with the net proceeds used to repay a portion of the bridge facility. The amount owing on the bridge facility at 30 September 2019 was R3.1 billion.

A new debt package, which is being implemented, has been structured as follows:

- Core term facilities of R2 billion, of which R250 million is repayable after two years, R750 million after three years and R1 billion after four years
- Five-year R1 billion revolving credit facility
- Two-year R1 billion structured working capital facility
- R800 million general short-term banking facilities

Carbon tax and climate change, mitigation and adaptation

The impact of climate change, water scarcity and the occurrences of drought are key risks to Omnia's business. The Group continues to adopt more sustainable practices to increase its flexibility to adapt to these challenges. The Group has formulated a climate change policy which considers the developmental and progressive improvement work that has been undertaken and identified for ongoing implementation. The policy has been formulated based on actual parameters and achievable objectives and is geared towards facilitating effective and meaningful reporting. Omnia appreciates and accepts the importance of identifying and mitigating climate change risks as well as taking advantage of opportunities arising as a result of climate change into overall business strategies. The Group supports a proactive approach to such integration and implementation.

Omnia anticipates near-average or neutral conditions for the forthcoming planting session as neither El Niño or La Niña conditions are currently present.

The soil moisture content provides an indication of how much rain is needed to commence the planting season. If the soil moisture content is low, about 50 millimetres of rain is needed. Current soil moisture content indicates that 20 millimetres of rain is required to plant which is positive for Omnia as less rain is required before planting can begin.

However, timing of the rain is of utmost importance as a late planting season could be derailed by the possible risk of frost when temperatures cool down. The risk of a late season is being managed as follows:

- Increased volumes sold to the Mining business (which is less seasonal/rain dependent)
- Increased trade sales into the mining and industrial markets
- Diversifying across all South African provinces (with different weather patterns and influences)
- Recovering cost on a lower budget, to ensure the last tons contribution maximises profits
- Amending the Supply and Operation Planning strategy (reduce inventory to lower risk of high inventory at year-end and produce straight to customers)

Omnia strongly believes that the sustainability of the business and minimising the negative impacts on the environment, vests in the people, management and operation of an organisation. As such, Omnia subscribes to the principles of Responsible Care®, an international initiative which falls within the custody of The Chemical and Allied Industries' Association ("CAIA").

Omnia continues to demonstrate commitment and leadership in Southern Africa in the management, mitigation and destruction of greenhouse gases ("GHG"). In the absence of any regulatory imperatives and obligations, the Omnia board approved the installation of two Nitrous Oxide ("N_2O") destruction facilities to deal with the reduction of the N_2O content of the plant emissions.

In line with the Group's climate change policy, and despite the downturn in the carbon market, Omnia continued to operate the EnviNox greenhouse destruction processes at the nitric acid plants. These processes are based on world class technology for N_2O destruction resulting in the destruction of the bulk of the greenhouse gas emissions generated. The installation of the N_2O destruction units has enabled Omnia to virtually eliminate NO_X and N_2O emissions from its Sasolburg nitric acid plants, with the observed reduction of NO_X and N_2O being greater than 90%.

Carbon tax and climate change, mitigation and adaptation continued

Based on commitment from the board, Omnia has emerged as a leader in the mitigation of GHG by engaging in large scale destruction of GHG, advocating correct and optimal fertilizer application techniques, focusing on green chemistry and optimising blasting solutions.

Legal proceedings

The Group is involved in various legal proceedings, and as proceedings progress management raises provisions where appropriate. Litigation, current or pending, is not likely to have a material adverse effect on the Group and therefore no specific adjustments have been made in the interim results.

Share schemes

Sakhile 1 is a Broad-Based Black Economic Empowerment share scheme launched by Omnia in 2007. This scheme was due to pay-out in 2019. On 13 February 2019, Omnia exercised its option to acquire the assets from Sakhile Initiative (RF) Limited, subject to certain conditions. On 30 September 2019, the Group extended an offer to all Sakhile 1 participants to acquire their Sakhile 1 shares for a settlement in cash. This offer has been approved by the Takeover Regulation Panel and shareholders holding more than 90% of the shares have accepted the offer. Omnia will now move to acquire 100% of these shares. Settlement will commence on 25 November 2019 and thereafter the scheme will be wound up.

All other Omnia long-term share schemes will continue as per their memorandums of incorporation.

Basis of preparation

The summarised interim financial statements for the period ended 30 September 2019 (interim results) have been prepared in accordance with *IAS 34 – Interim Financial Reporting*, the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosures as required by the Listings Requirements of JSE Limited and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended.

The interim results do not include all the notes of the type normally included in the annual financial statements. Accordingly, the interim results are to be read in conjunction with the annual financial statements for the year ended 31 March 2019 and any public announcements made by Omnia. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards as set out below.

The preparation of these interim results was supervised by the chief executive officer and Group finance director, T Gobalsamy CA(SA). The board takes full responsibility for the preparation of the interim results and the results have not been reviewed or audited by the Group's auditors.

New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period. The Group changed its accounting policies as a result of adopting *IFRS 16 – Leases* and *IFRIC 23 – Uncertainty over Income Tax Treatments*. The impact of the adoption of these standards and the new accounting policies are disclosed in the notes below. The other new standards and amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustment.

First-time application of a standard by the Group

The Group applied *IAS 29 – Financial Reporting in Hyperinflationary Economies* for the first time to its Zimbabwean subsidiary and joint venture following the announcement by the Public Accountant and Auditors Board of Zimbabwe declaring Zimbabwe a hyperinflationary economy effective from 1 July 2019. Both the subsidiary and joint venture have a functional currency of Zimbabwean dollar.

Changes in accounting policies

First time application of *IAS 29 – Financial Reporting in Hyperinflationary Economies*

The Group has applied this standard from 1 April 2019. As required comparative figures have not been restated but the cumulative effect of hyperinflation from 1 October 2018 when the functional currency of the Zimbabwean subsidiary and joint venture changed from US dollars to Zimbabwean dollars has been adjusted in opening equity at 1 April 2019. The Group applied Zimbabwean CPI as an index to determine the effects of hyperinflation and applied *IAS 21 – The Effect of Changes in Foreign Exchange Rates* by translating all balances and transactions at the closing rate of 19.23% to the US dollar. Consistent with the prior year, the Group continues to use the Old Mutual Implied Rate as an estimation of the official exchange rate in Zimbabwe. The net impact of hyperinflation on opening equity at 1 April 2019 is an increase of R50 million. The net monetary gain for the period ended 30 September 2019 is R50 million and has been recognised in the income statement below operating profit.

Adoption of *IFRIC 23 – Uncertainty over Income Tax Treatments*

The Group has adopted *IFRIC 23 – Uncertainty over Income Tax Treatments* from 1 April 2019 and elected to use the modified retrospective approach on adoption. Prior year adjustments arising from the adoption of this standard are therefore recognised in opening retained earnings on 1 April 2019.

The Group operates in various international tax jurisdictions and tax risk is disclosed as one of the top 10 risks in the Integrated Annual Report for the year ended 31 March 2019. The Group previously recognised tax provisions based on the most likely amount of potential tax liabilities, for each separate uncertain tax position. This interpretation provides additional guidance on measurement and requires a probability weighted average approach to be taken in situations where there is a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method remains in use. At the date of initial application, tax liabilities from uncertain tax positions amounted to R144 million and were adjusted in opening retained earnings at 1 April 2019.

Changes in accounting policies continued

The impact on retained earnings and tax liability at 1 April 2019 is as follows:

Rm	Retained earnings	Income tax liability
At 31 March 2019	4 594	20
Impact of adoption of *IFRIC 23 – Uncertainty over Income Tax Treatments*	(144)	144
At 1 April 2019	**4 450**	**164**

Adoption of *IFRS 16 – Leases*

The Group has adopted *IFRS 16 – Leases* from 1 April 2019 and elected to use the modified retrospective approach on adoption. Prior year reclassifications and the adjustments arising from the adoption of this standard are recognised in opening retained earnings on 1 April 2019. At the date of initial application, the right of use assets were measured at an amount equal to the remaining lease liabilities resulting in no impact on opening retained earnings at 1 April 2019.

On adoption the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of *IAS 17 – Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was a range of 1.8% to 26.8% (dependent on geographical location). At the date of initial application, the right of use assets was measured at an amount equal to the remaining lease liabilities.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of *IFRS 16 – Leases* are only applied after that date. There was no impact on opening retained earnings at 1 April 2019.

In applying *IFRS 16 – Leases* for the first time, the Group has used the following practical expedients permitted by the standard:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Not reassessed whether a contract is or contains a lease at the date of initial application. For contracts entered into before the transition date the Group relied on its assessment made applying *IAS 17 – Leases* and *IFRIC 4 – Determining Whether an Arrangement Contains a Lease*

The lease liability on initial application of *IFRS 16 – Leases* was determined as follows:

Rm	1 April 2019
Operating lease commitments disclosed as at 31 March 2019	**281**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**248**
Add: finance lease liabilities recognised as at 31 March 2019	**42**
(Less): short-term leases recognised on a straight-line basis as expense	**(28)**
(Less): low-value leases recognised on a straight-line basis as expense	**(4)**
Add/(less): adjustments as a result of a different treatment of extension and termination options	**278**
Lease liability recognised as at 1 April 2019	**536**

The right-of-use asset on initial application of *IFRS 16 – Leases* was determined as follows:

Rm	1 April 2019
Right-of-use assets from operating leases	**494**
Right-of-use assets reclassified from finance leases	**49**
Right-of-use asset recognised as at 1 April 2019	**543**

The recognised right-of-use assets relate to the following types of assets:

Rm	1 April 2019
Land and buildings	**318**
Plant and machinery	**108**
Furniture, equipment and vehicles	**117**
Right of use assets recognised as at 1 April 2019	**543**

Changes in accounting policies continued

The change in accounting policy affected the following items in the balance sheet:

Rm	31 Mar 2019	Change in accounting policy	1 April 2019
Non-current assets			
Property, plant and equipment	**5 425**	**(49)**	**5 376**
Right-of-use assets	**–**	**543**	**543**
Non-current liabilities			
Lease liabilities	**39**	**276**	**315**
Lease liabilities (current portion)	**3**	**218**	**221**

There was no impact on retained earnings at 1 April 2019.

Operating profit decreased as a result of EBITDA and net controlled assets for September 2019 increased as a result of the change in accounting policy while profit before tax decreased. Movements stem from lease expenses no longer being recognised and depreciation expense on right of use assets and interest on lease liability being expensed instead. Right-of-use assets and lease liabilities are now included in net controlled assets, whereas finance lease liabilities were previously excluded from net controlled assets. The above changes disclosed per segment are as follows:

Segment impact

	Operating profit Rm 30 Sep 2019	Profit before tax Rm 30 Sep 2019	EBITDA Rm 30 Sep 2019	Net controlled assets Rm 30 Sep 2019
Total Agriculture	**8**	**(7)**	**61**	**(2)**
Agriculture RSA	**3**	**(6)**	**30**	**(6)**
Agriculture International	**6**	**–**	**30**	**1**
Agriculture Trading	**–**	**–**	**–**	**–**
Agriculture Biological	**(1)**	**(1)**	**1**	**3**
Total Mining	**–**	**(2)**	**15**	**(2)**
Mining RSA	**–**	**(1)**	**4**	**(1)**
Mining International	**–**	**(1)**	**11**	**(1)**
Total Chemicals	**2**	**(5)**	**36**	**(5)**
Protea Chemicals	**2**	**(4)**	**32**	**(4)**
Chemicals Petroleum	**–**	**(1)**	**4**	**(1)**
Head office and elimination	**8**	**7**	**18**	**8**
Total	**18**	**(7)**	**130**	**(1)**

Earnings per share decreased by 12 cents per share for the six months to 30 September 2019 as a result of the adoption of *IFRS 16 – Leases*.

Right-of-use asset

Accounting policy

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of three to eight years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost, comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Right-of-use asset continued

Rm	Land and buildings	Plant and machinery	Furniture, equipment and vehicles	Total
At 1 April 2019				
Cost	**318**	**108**	**132**	**558**
Accumulated depreciation	**–**	**–**	**(15)**	**(15)**
	318	**108**	**117**	**543**
At 30 September 2019				
Cost	**404**	**108**	**153**	**665**
Accumulated depreciation	**(75)**	**(20)**	**(32)**	**(127)**
	329	**88**	**121**	**538**
At 30 September 2019				
Opening net carrying amount	**318**	**108**	**117**	**543**
Additions	**95**	**–**	**21**	**116**
Depreciation charge	**(75)**	**(20)**	**(17)**	**(112)**
Effect of foreign currency movement	**(9)**	**–**	**–**	**(9)**
Closing net carrying amount	**329**	**88**	**121**	**538**

Depreciation on right-of-use assets of R112 million was recognised in the income statement.

Lease liability

Accounting policy

Lease liabilities are initially measured as the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between the lease liability and finance cost. The finance cost is expensed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Rm	**30 Sep 2019**
Lease liability balance as at 1 April 2019	**536**
– New lease liabilities	**100**
– Interest expense	**25**
– Lease payments made/cash outflow	**(122)**
Total lease liability as at 30 September 2019	**539**
Current lease liability	**205**
Non-current lease liability	**334**
Total lease liability as at 30 September 2019	**539**

The interest expense (included in finance cost) was R25 million.

Short term leases of R28 million and low value leases of R4 million were expensed in the income statement.

The total cash outflow for leases during the six-month period was R122 million.

Changes to the board of directors

Changes to the board of directors for the period:

- R Havenstein was appointed as independent chair effective 6 June 2019
- T Gobalsamy was appointed as chief executive officer effective 21 August 2019
- G Cavaleros was appointed as an independent non-executive director effective 5 August 2019
- A de Lange resigned as Group managing director effective 21 August 2019
- Z Swanepoel was appointed as a non-executive director effective 1 October 2019
- R Humphris retired as chair and a non-executive director effective 30 September 2019

R Havenstein
Chair

T Gobalsamy
Chief executive officer
and Group finance director

26 November 2019

Background information

Omnia is a diversified chemicals Group that supplies chemicals and specialised services and solutions for the agriculture, mining and chemical application industries. Using technical innovation combined with intellectual capital, Omnia adds value for customers at every stage of the supply and service chain. With its vision of leaving a **Better World**, the Group's solutions promote the responsible use of chemicals for health, safety and a lower environmental impact, with an increasing shift towards cleaner technologies.

Omnia's corporate office is based in Johannesburg, South Africa and its main production facility in Sasolburg, some 70 kilometres south of Johannesburg. At 30 September 2019, the Group has a physical presence in 46 countries and operations extending into the African continent, including South Africa, with additional focused operations in Australasia, Brazil and China.

Executive directors: T Gobalsamy (Chief executive officer and Group finance director)

Non-executive directors: R Havenstein (Chair), G Cavaleros, Prof N Binedell, R Bowen (British), F Butler, L de Beer, T Eboka, S Mncwango, T Mokgosi-Mwantembe, W Plaizier (Dutch), Z Swanepoel

Group company secretary: M Nana

Registered office: 2nd Floor, Omnia House, Epsom Downs Office Park, 13 Sloane Street, Epsom Downs, Bryanston, 2021. Postal address: PO Box 69888, Bryanston, 2021. Telephone: (011) 709 8888 **Email:** omniaIR@omnia.co.za

Transfer secretaries: Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein

Sponsor: Merchantec Capital, 13th Floor, Illovo Point, 68 Melville Road, Illovo, Sandton, 2196

Auditors: PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090

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